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Agricultural Outlook Forum
U.S. Department of Agriculture

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IMMIGRATION REFORM AND AGRICULTURE

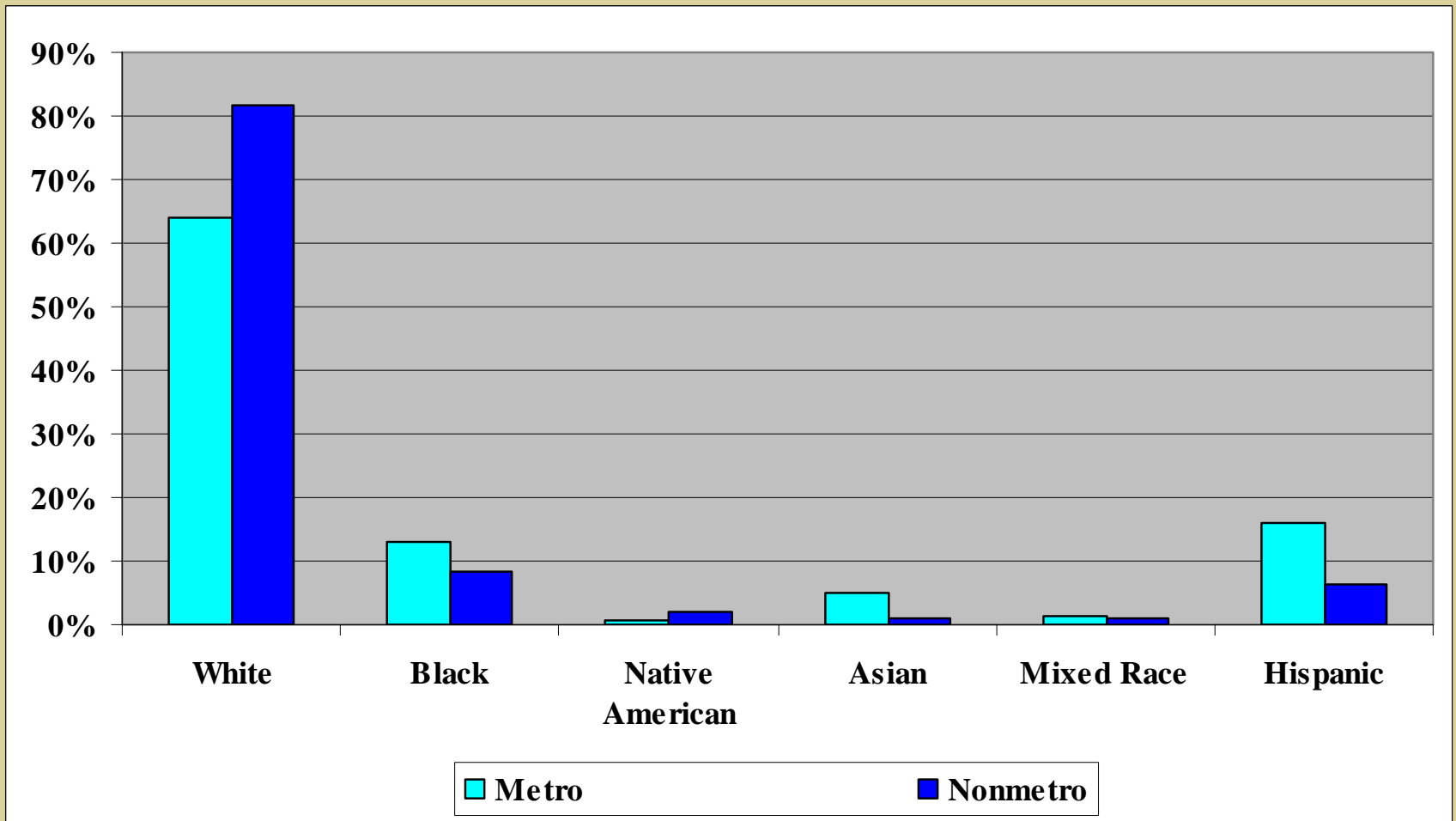
William Kandel & Ashok Mishra
Resource and Rural Economics Division
Economic Research Service, USDA

Immigration Reform and Agriculture



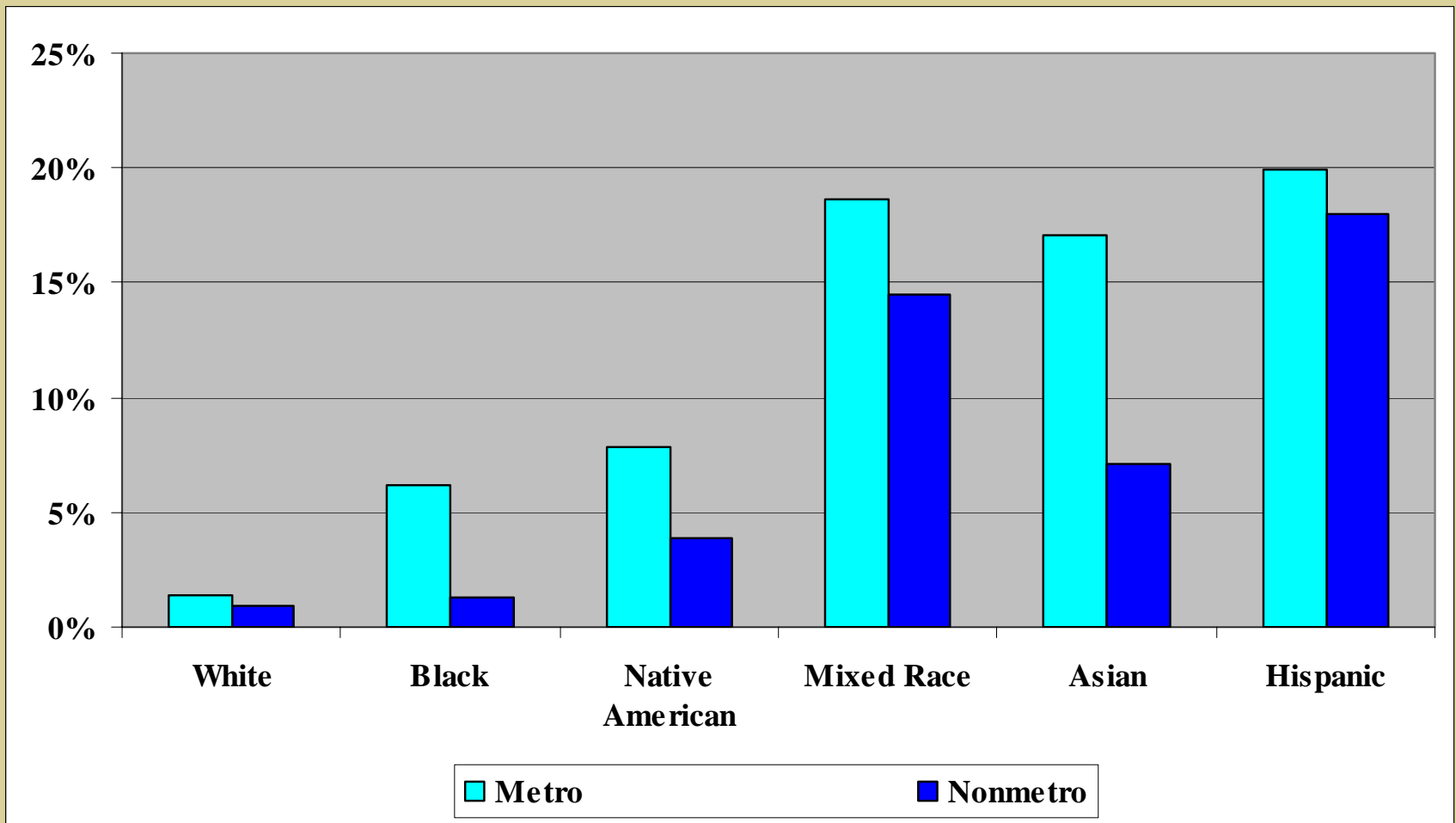
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In 2005, Non-Hispanic Whites and Blacks were the largest racial/ethnic groups in nonmetro counties

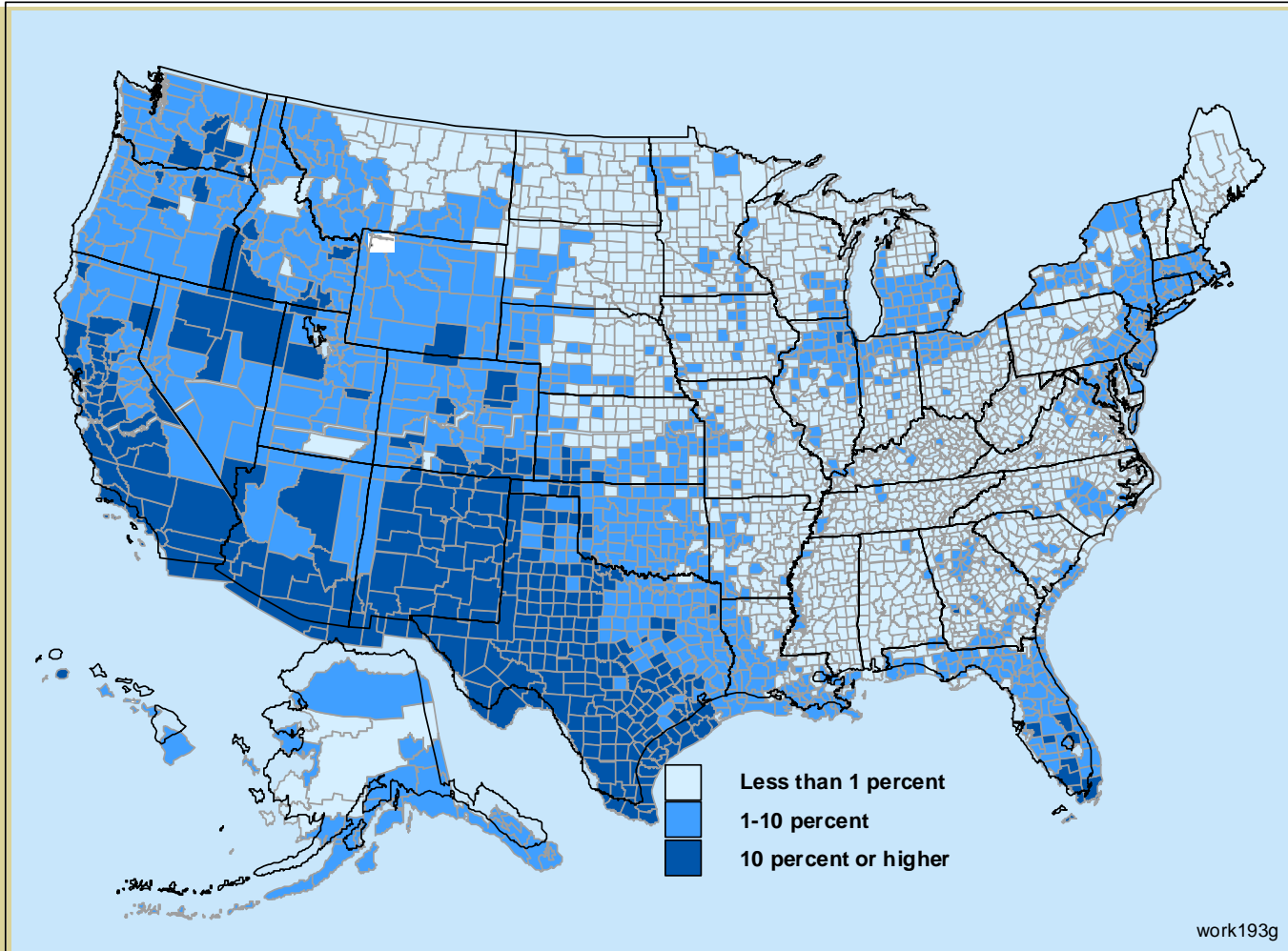


Source: Computed by ERS with data from Census 2000 and 2005 County Estimates

Yet, between 2000-2005, Hispanics grew faster than any other racial and ethnic group

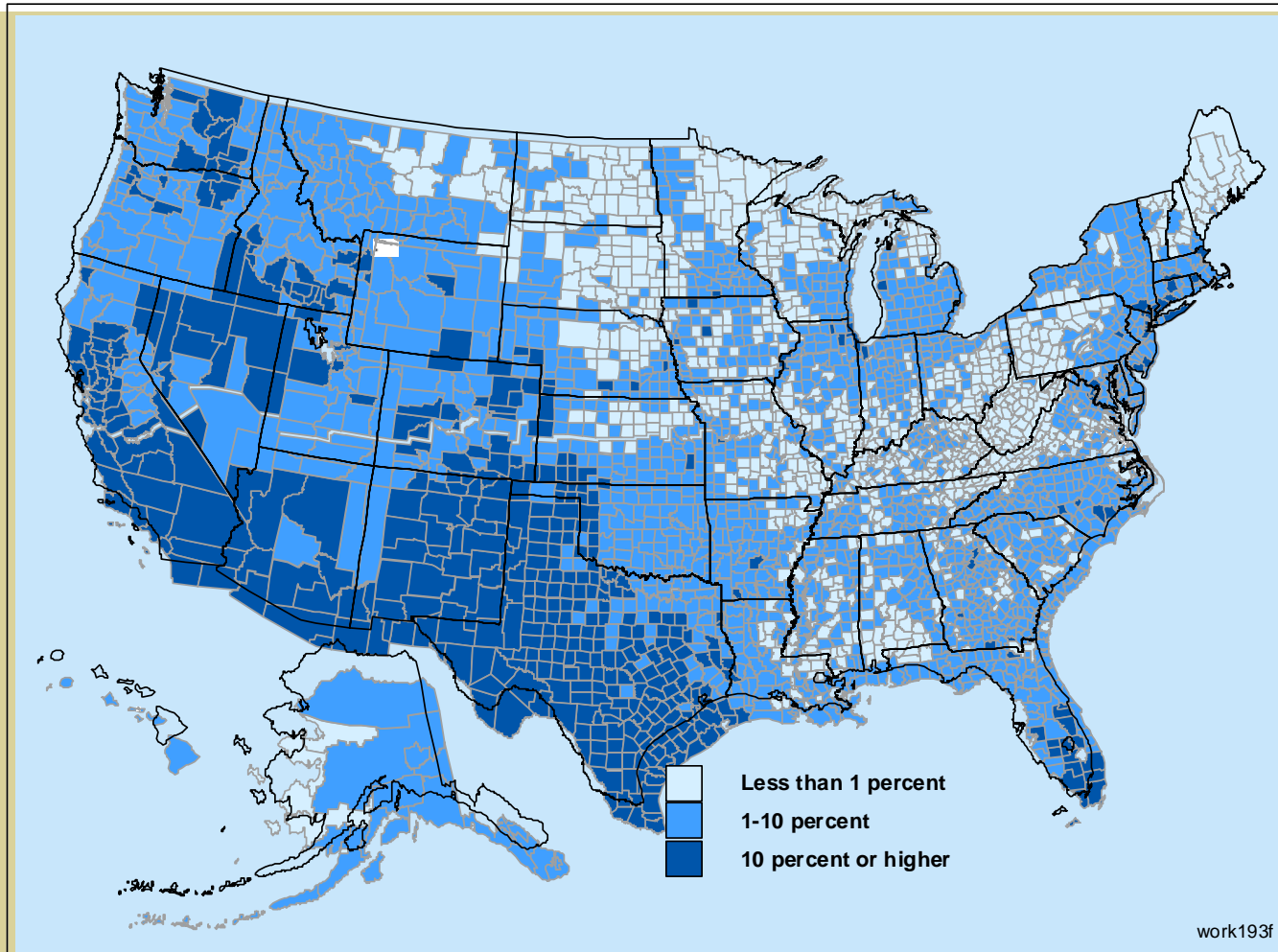


In 1990, the Hispanic population was concentrated in the West, particularly the Southwest



Source: 1990 Census data, STF1 file

By 2000, the Hispanics were settling in the nonmetro Midwest and Southeast

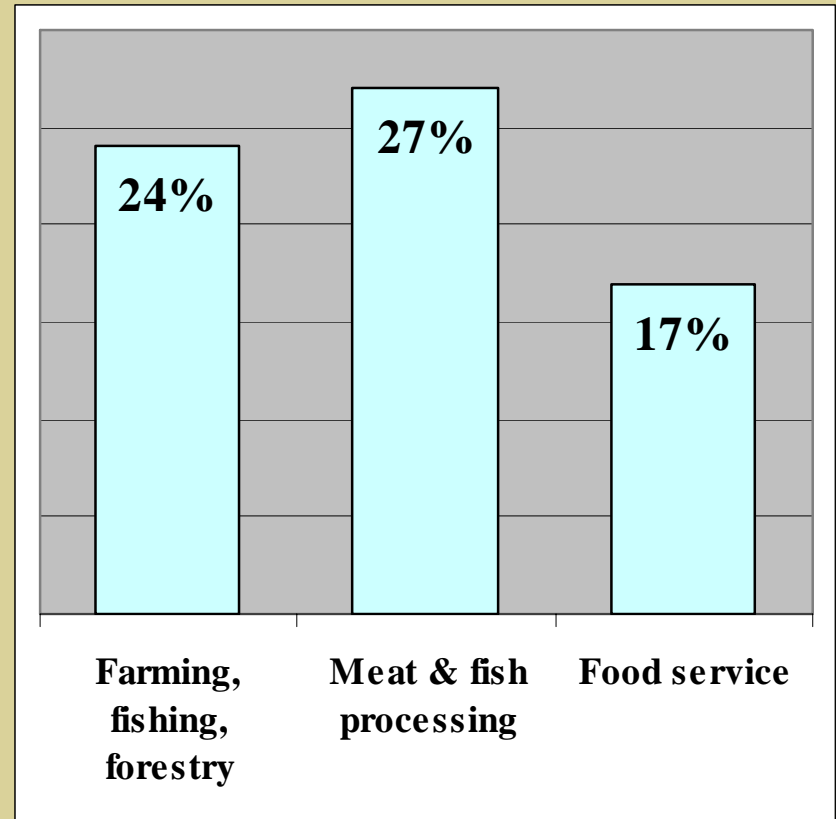


Source: 2000 Census data, SF1 file

Undocumented workers are important to the U.S. agri-food sector

- Of 12 million undocumented immigrants in the U.S. in 2005, 7.2 million were in the labor force.
- Between 2.2 and 3.1 million undocumented immigrants work in the three agri-food sectors:
 - Farming, fishing, and forestry
 - Meat and fish processing
 - Food service
- Proportion of undocumented workers employed in the agri-food sector: 31-43%.

Undocumented proportion in each sector in 2005



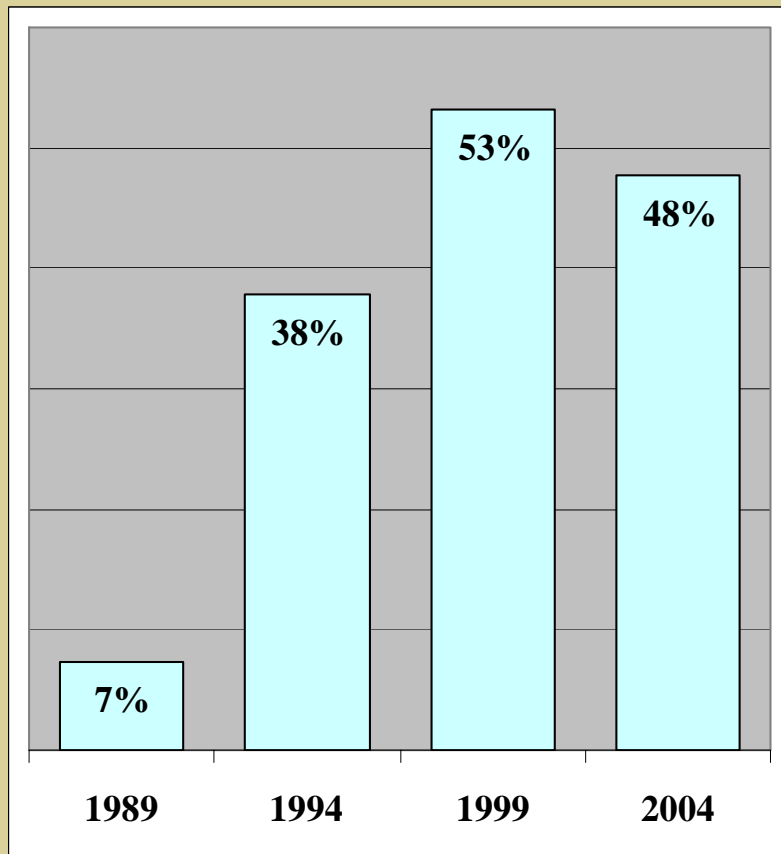
Source: Passel, Jeffery S. 2005. "Unauthorized Migrants: Numbers and Characteristics." Washington, DC: Pew Hispanic Center.

Two major proposals for immigration reform could reduce the farm labor supply

- **ENFORCEMENT:** would force undocumented workers to leave U.S.
- **LEGALIZATION:** would give workers greater flexibility to seek other jobs.
- Wages would probably rise in industries employing low-skilled workers, including agriculture.
- Possible responses to wage increases by firms employing low-skilled workers:
 - Increase prices
 - Produce other crops/products
 - Adopt labor-saving technology
 - Go out of business or move production overseas

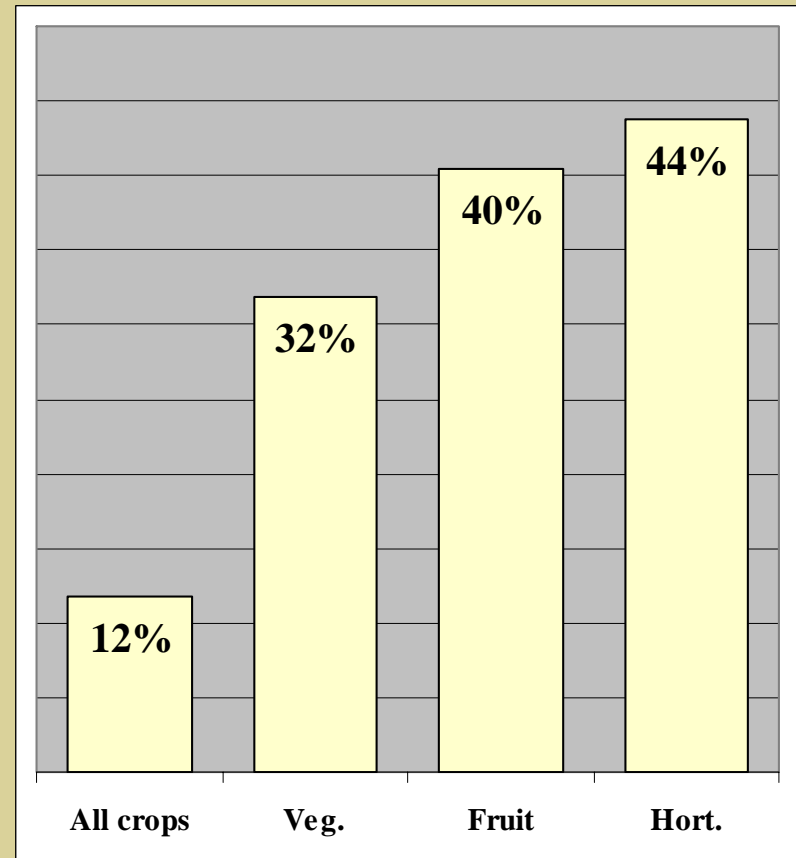
Undocumented labor is especially important for crop agriculture

Half of all hired workers on crop farms are undocumented.



Source: National Agricultural Workers Survey, 1989-2004

Labor makes up a large share of production costs for fruit, vegetable, and horticultural firms.



Source: Runyan, J. 2000. "Profile of Hired Farmworkers" ERS-USDA

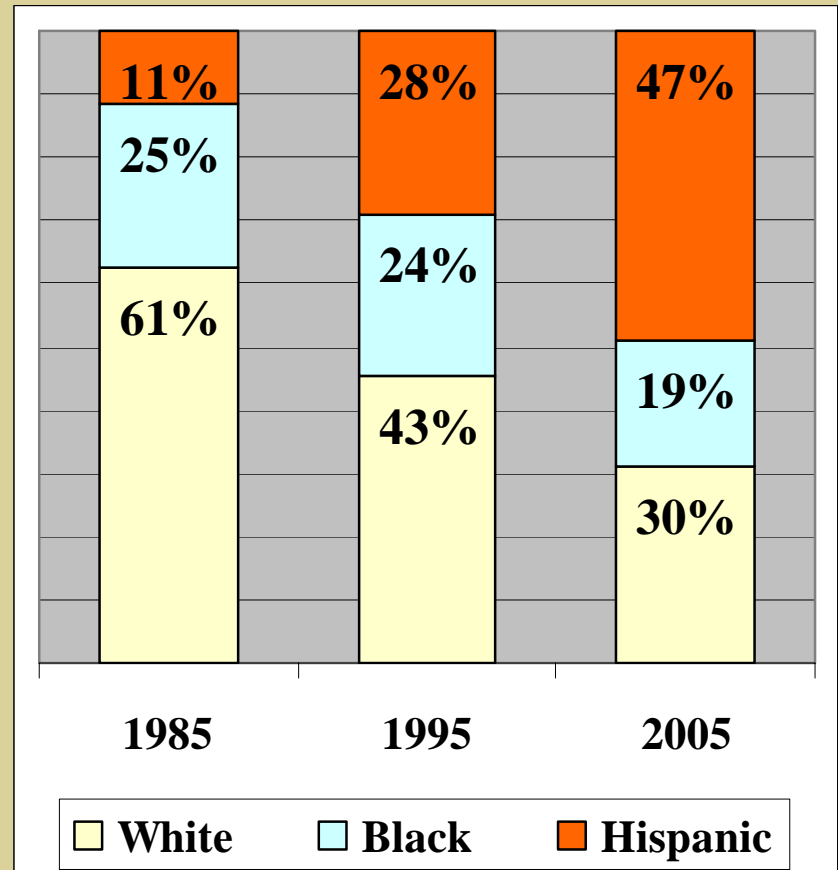
Immigration reform could be costly for crop agriculture

- A 2006 American Farm Bureau Federation report argues that:
 - Most undocumented farmworkers would leave agriculture
 - Substituting technology for workers would be difficult and costly
 - Farm wages would increase 15-50%, and food imports would rise by 50%
 - Annual losses to U.S. agriculture would total \$1.5-5.0 billion
 - 10-20% of fruit and vegetable producers would go out of business
- These effects may be overstated because farms and firms adjust to changing circumstances.

How might immigration reform affect the meat processing industry?

- Meat processing industry employs over 500,000 people.
- A growing proportion of these workers are Hispanic, foreign-born, and undocumented.
- Meat processing plants are often located in labor-scarce rural areas.
- The industry has more flexibility than crop agriculture to use labor-saving technology.

Hispanics made up almost half of all meat processing workers in 2005.

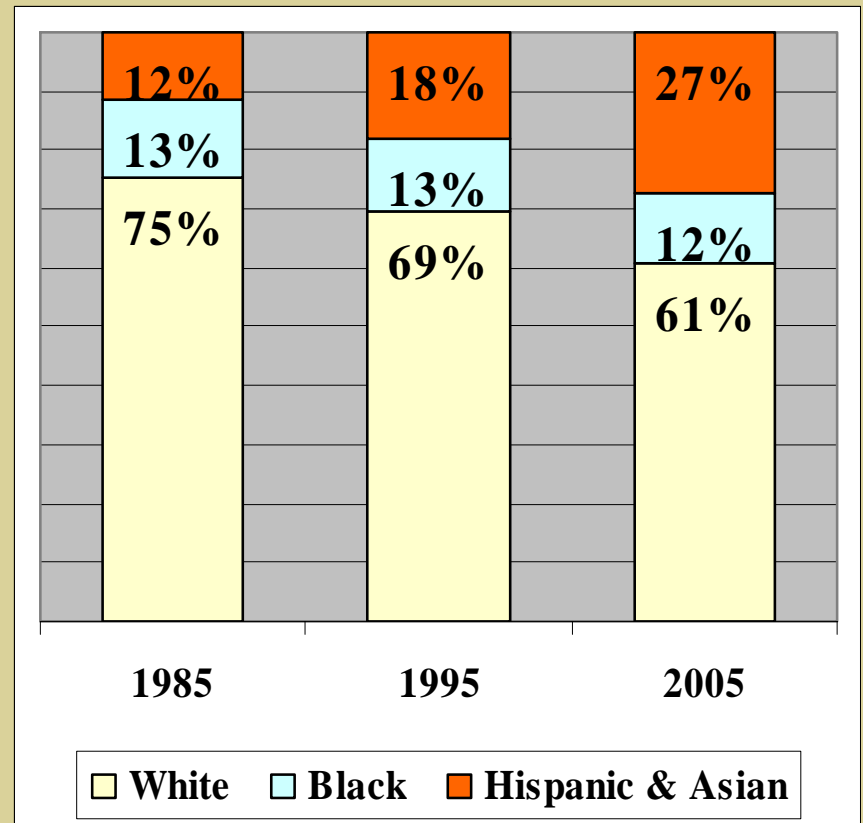


Source: 1985, 1995, & 2005 Current Population Survey, March Supplement

How might immigration reform affect the foodservice industry?

- 9.3 million mostly low-skilled workers were employed in this industry in 2005.
- An estimated 1.1-1.5 million are undocumented.
- Employment demands are forecast to increase over 20% in this decade, mainly for fast food outlets.
- Ample labor supply and low wages have hindered productivity growth.

Hispanics (and Asians) are a growing share of foodservice workers

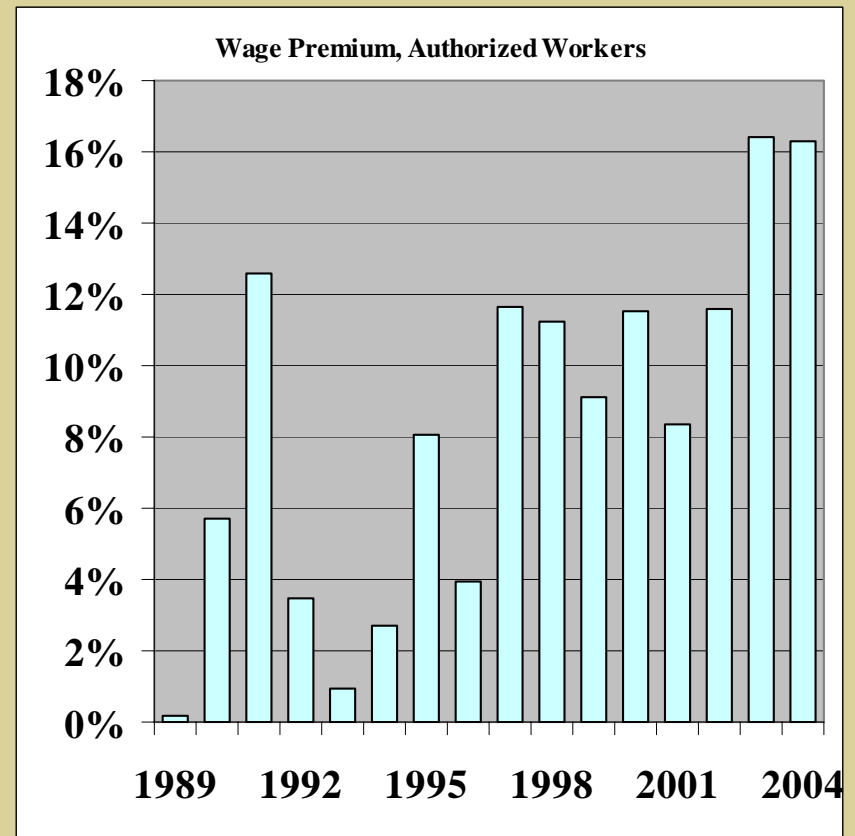


Source: 1985, 1995, & 2005 Current Population Survey, March Supplement

Legalization could increase wages

- Wages before and after the Immigration Reform and Control Act of 1986:
 - Before IRCA:
 - No difference in wages by legal status
 - After IRCA:
 - Wage difference estimates ranged from 6 to 30%
- Higher wages can foster innovation, increase productivity, and reduce labor demand over time.

Authorized workers earned about 16% more than undocumented workers in 2004.



Source: National Agricultural Workers Survey 1989-2004

Impacts of immigration for the overall U.S. economy

- **Most economists find minor impacts on wages or employment:**
 - A 10% increase in the immigrant share of the labor force reduces native wages 1-5%.
 - Effects are felt primarily by low-skill native workers and those without a high school diploma.
- **Others express the following concerns:**
 - Immigration reduces incomes of native workers and increases incomes of employers of immigrants.
 - Unskilled immigrants cost the U.S. more than skilled immigrants because they contribute less taxes and use more public services.

Summary

- Estimates of undocumented workers range from 2.2 to 3.1 million. This includes 50% of all hired workers in crops and livestock, 25% in meat processing, and 17% in food service.
- Firms could respond to immigration reform by raising prices, acquiring labor-saving technology, or leaving the industry.
- In crop agriculture, fruit, vegetable, and horticultural producers have high farm labor costs and would be most affected by immigration reform.
- It may be more practicable for the meat-processing and foodservice sectors to adopt additional labor-saving technology than the farm sector.
- Outcomes will be determined through a complex interaction of the actual legislation enacted, enforcement, labor supply, wages, and the adoption of labor-saving technology.

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